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No. 84-1956

In The

Supreme Court of the United States

October Term, 1984

THE D.L. AULD COMPANY,

Petitioner,

vs.

CHROMA-GRAPHICS, INCORPORATED

Respondent,

and

THE UNITED STATES

Intervenor

PETITION AND APPENDIX FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTIONS PRESENTED

1. Whether the consensual reference provision of the Magistrates Act of 1979, 28 U.S.C. §636(c), meets constitutional standards?

2. Whether an appeal to a federal court of appeals may be characterized as having "no chance of success" and therefore being abusive of the appellate process simply because other federal courts of appeals, but not the Supreme Court, have decided the same issue adversely toward the appellant?

PARTIES IN COURT BELOW

Petitioner is D. L. Auld Company, an Ohio Corporation engaged in the manufacture of automobile medallions.[1]

Respondent is Chroma Graphics Corporation.

Intervenor is the United States of America.

[1]The D.L. Auld Company is affiliated or has controlling interest in the following companies; DLA Inc., Applied Industries of Ohio, Inc., Applied Research, Inc., The Potters Supply Company, Customline Automotive Services, Inc., 1A Corporation of Delaware, Vitro Corporation and Auld-Japan Co., Ltd.

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The opinion of the Court of Appeals for the Federal Circuit, rendered on January 28, 1985 is reported at 853 F.2d 1029 (Fed. Cir. 1985) and is reproduced in the Appendix pages 23-38.

The memorandum and orders of the District Court (entered by a United States Magistrate) denying petitioner's motion for relief from judgment is unreported and is reproduced in the Appendix pages 9-11.

JURISDICTION

The opinion of the Court of Appeals for the Federal Circuit was dated January 28, 1985, and a judgment in conformity with the opinion was entered on the same date.

BEST AVAILABLE COPY

Petitioner's Petition for Rehearing and Suggestion for Rehearing In Banc was declined on March 18, 1985, and an Order entered on the same date.

This Petition will be filed on the next day following Sunday, June 16, 1985, which is the nintieth day following the declining of rehearing.

Jurisdiction of this Petition is provided under 28 U.S.C. §1254(1).

CONSTITUTIONAL PROVISIONS, TREATIES STATUTES, ORDINANCES AND REGULATIONS UNITED STATES CONSTITUTION

Article III, Section 1. The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Court as the Congress may from time to time ordain and establish. The Judges, both of the supreme and inferior Courts, shall hold their Offices during good Behavior, and shall, at stated Times, receive for their Services, a Compensation, which shall not be diminished during their Continuance in Office.

28 U.S.C. §636. UNITED STATES MAGISTRATES JURISDICTION, POWERS, AND TEMPORARY ASSIGNMENT

(c) Notwithstanding any provision of law to the contrary -

(1) Upon the consent of the parties, a full-time United States magistrate or a part-time United States magistrate who serves as a full-time judicial officer may conduct any or all proceedings in a jury or nonjury civil matter and order the entry of judgment in the case, when specially designated to exercise such jurisdiction by the district court or courts he serves. Upon the consent of the parties, pursuant to their specific written request, any other part-time magistrate meets the bar membership requirements set forth in section 631(b)(1) and the chief judge of the district court certifies that a full-time magistrate is not reasonably available in accordance with guidelines established by the judicial council of the circuit. When there is more than one judge of a

district court, designation under this paragraph shall be by the concurrence of a majority of all the judges of such district court, and when there is not such concurrence, then by the chief judge.

(2) If a magistrate is designated to exercise civil jurisdiction under paragraph (1) of this subsection, the clerk of court shall, at the time the action is filed, notify the parties of their right to consent to the exercise of such jurisdiction. The decision of the parties shall be communicated to the clerk of court. Thereafter, neither the district judge nor the magistrate shall attempt to persuade or induce any party to consent to reference of any civil matter to a magistrate. Rules of court for the reference of civil

matters to magistrates shall include procedures to protect the voluntariness of the parties' consent.

(3) Upon entry of judgment in any case referred under paragraph (1) of this subsection, an aggrieved party may appeal directly to the appropriate United States court of appeals from the judgment of the magistrate in the same manner as an appeal from any other judgment of a district court. In this circumstance, the consent of the parties allows a magistrate designated to exercise civil jurisdiction under paragraph (1) of this subsection to direct the entry of a judgment of the district court in accordance with the Federal Rules of Civil Procedure. Nothing in this paragraph shall be construed as a limitation of any party's right to seek

review by the Supreme Court of the United States.

(4) Notwithstanding the provisions of paragraph (3) of this subsection, at the time of reference of a magistrate, the parties may further consent to appeal on the record to a judge of the district court in the same manner as on an appeal from a judgment of the district court to a court of appeals. Wherever possible the local rules of the district court and the rules promulgated by the conference shall endeavor to make such appeal expeditious and inexpensive. The district court may affirm reverse, modify, or remand the magistrate's judgment.

(5) Cases in the district courts under paragraph (4) of this subsection may be reviewed by the

EDITOR'S NOTE

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appropriate United States court of appeals upon petition for leave to appeal by a party stating specific objections to the judgment. Nothing in this paragraph shall be construed to be a limitation on any party's right to seek review by the Supreme Court of the United States.

(6) The court may, for good cause shown on its own motion, or under extraordinary circumstances shown by any party, vacate a reference of a civil matter to a magistrate under this subsection.

(7) The magistrate shall determine, taking into account the complexity of the particular matter referred to the magistrate, whether the record in the proceeding shall be taken, pursuant to section 753 of this title, by electronic sound recording

means, by a court reporter appointed or employed by the court to take a verbatim record by shorthand or by mechanical means, or by an employee of the court designated by the court to take such a verbatim record. Notwithstanding the magistrate's determination, (A) the proceeding shall be taken down by a court reporter if any party so requests, (B) the proceeding shall be recorded by a means other than a court reporter if all parties so agree, and (C) no record of the proceeding shall be made if all parties so agree. Reporters referred to in this paragraph may be transferred for temporary service in any district court of the judicial circuit for reporting proceedings under this subsection, or for other reporting duties in such court.

35 U.S.C. §285. ATTORNEY FEES

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

28 U.S.C. §1254(1). COURTS OF APPEALS; CERTIORARI; APPEAL; CERTIFIED QUESTIONS

Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:

(1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree.

FEDERAL RULES OF CIVIL PROCEDURE

Rule 60. Relief from Judgment or Order

(b) Mistakes; Inadvertence; Excusable Neglect; Newly Discovered Evidence; Fraud, etc. On motion and upon such terms as are just, the court

may relieve a party or his legal representative from a final judgment, order, or proceeding for the following reasons: (1) mistake, inadvertence, surprise, or excusable neglect; (2) newly discovered evidence which by due diligence could not have been discovered in time to move for a new trial under Rule 59(b); (3) fraud (whether heretofore denominated intrinsic or extrinsic), misrepresentation, or other misconduct of an adverse party; (4) the judgment is void; (5) the judgment has been satisfied, released, or discharged, or a prior judgment upon which it is based has been reversed or otherwise vacated, or it is no longer equitable that the judgment should have prospective application; or (6) any other reason justifying relief from the operation of

the judgment. The motion shall be made within a reasonable time, and for reasons (1), (2), and (3) not more than one year after the judgment, order, or proceeding was entered or taken. A motion under this subdivision (b) does not affect the finality of a judgment or suspend its operation. This rule does not limit the power of a court to entertain an independent action to relieve a party from a judgment, order, or proceeding, or to grant relief to a defendant not actually personally notified as provided in Title 28, U.S.C., §1655, or to set aside a judgment for fraud upon the court. Writs of coram nobis, coram vobis, audita querela, and bills of review and bills in the nature of a bill of review, are abolished, and the procedure for obtaining any relief from

a judgment shall be by motion as prescribed in these rules or by an independent action.

STATEMENT OF THE CASE

This case involves two separate, distinct and important questions of federal law.

The first question is the much debated issue of the constitutionality of the consensual reference provision of the Magistrates Act of 1979, 28 U.S.C. §636(c). This Court has four times denied petitions for certiorari in cases involving this issue and the issue therefore has not been settled by this Court.

The second question is the point at which, if ever, an appeal to a federal court of appeals may be characterized as having "no chance of success" and therefore being frivolous simply because other federal courts of appeals but not the Supreme Court have,

adversely to appellant, decided the same issue.

The genesis of this case is the unsuccessful attempt commenced on October 15, 1981 by petitioner to recover damages for an infringement by respondent of petitioner's Letters Patent No. 4,100,010.

Significantly in the early stages of this case and prior to any decisions involving the constitutionality of the consensual reference provision of the 1979 Magistrates Act, petitioner executed a form of consent referring the case to a U.S. Magistrate of the Tennessee District Court for trial and entry of a final judgment. (App. pp. 1-3). Thereafter, petitioner had summary judgment rendered against it by the U.S. Magistrate without trial or even without an oral hearing although

such hearing was requested by petitioner and required by the local rules of court, (App. p. 4) and, petitioner's motion to vacate the summary judgment for lack of oral argument failed (App. pp. 6-8).

An appeal by petitioner to the Court of Appeals for the Federal Circuit resulted in affirmance on September 16, 1983 of the Summary Judgment of the U.S. Magistrate. D. L. Auld Co. v. Chroma Graphics Corp., 714 F.2d 1144 (Fed. Cir. 1983). No petition for certiorari was filed by petitioner.

By early 1984 petitioner had become aware of the existence of the issue of the constitutionality of the consensual reference provision of the Magistrates Act of 1979. At that time, there were only two decisions: the

Pacemaker panel, Pacemaker Diagnostic Clinic, Inc. v. Instromedix, Inc., 712 F.2d 1305 (9th Cir. August 5, 1983), had found the provision unconstitutional and Wharton-Thomas v. United States, 721 F.2d 922 (3rd Cir. Nov. 23, 1983) reh. denied (December 20, 1983), had found the provision to meet constitutional standards.

As a result of petitioner's having become aware of the constitutional infirmity of the adverse summary judgment previously rendered by the U.S. Magistrate, petitioner prepared and filed a Motion for Relief from Judgment pursuant to Rule 60(b) Federal Rules of Civil Procedure (App. pp. 6-8) and in its supporting memorandum referenced subparagraphs (4) and (6) of said Rule.

A scant two days after the filing by petitioner of the Motion for Relief from Judgment and without the execution by petitioner of any new "Consent To Proceed Before A United States Magistrate", the magistrate, and not the district judge, entered a Memorandum and Orders summarily denying petitioner's motion. (App. pp. 9-11).

On March 8, 1984, petitioner timely filed its Notice of Appeal to the Sixth Circuit as the circuit having supervisory responsibility over the Tennessee District Court in which the case had originally been filed. (App. pp. 12-14). The Sixth Circuit transferred the case to the Court of Appeals for the Federal Circuit as the original appellate court. (App. pp. 15-18).

On October 4, 1984, the United States moved to intervene in the appeal on behalf of the constitutionality of the consensual reference provision of the Magistrates Act of 1979. (App. pp. 19-21). The motion of the United States was granted. (App. p. 22). The appeal, after briefing by the petitioner, the respondent and the United States, was orally argued on December 5, 1984.

Neither respondent nor the United States suggested that petitioner's appeal had "no chance of success." To the contrary, the appearance of the United States in the appeal emphasizes the fact that absent a decision by the Supreme Court, the issue of constitutionality of an Act of Congress is not finally settled.

Respondent's counsel did not request an award of attorney's fees.

On January 28, 1985, the Court of Appeals for the Federal Circuit rendered its decision, D. L. Auld Company v. Chroma Graphics Corp., 753 F.2d 1029 (Fed. Cir. January 28, 1985). (Reproduced in App. pp. 23-38).

The decision both upheld the constitutionality of the consensual reference provision of the Magistrates Act of 1979 and, sua sponte, awarded attorney's fees to respondent because the court believed that petitioner should have known that its appeal "had no chance of success" and therefore should not have been persisted in by petitioner.

Petitioner's timely Motion For Rehearing and Suggestion For Rehearing in banc were denied on March 18, 1985.

(App. pp. 39-54). From that denial this petition was taken. Jurisdiction of this Petition is provided under 28 U.S.C. §1254(1), its filing having taken place on the next day following Sunday, June 16, 1985, the ninetieth day from the denial of rehearing.

Following the denial of rehearing, the Court of Appeals for the Federal Circuit on April 19, 1985, in accordance with its decision, mandated the payment to respondent of $7,592.24 in attorney's fees. (App. pp. 56-59).

Respecting this Petition for Certiorari, the primary holdings of the decision herein challenged by petitioner are:

(1) Its finding that petitioner "persisted in pursuing an appeal that had no chance of success" and as a result penalized petitioner for taking

the appeal by awarding attorney's fees to respondent under the "exceptional cases" provision of 35 U.S.C. §285;

(2) Its finding that the consensual reference provision of the Magistrates Act of 1979 is constitutional.

Since the Court of Appeals for the Federal Circuit concluded that

> when Auld [petitioner] filed its opening brief it had no reasonable basis for believing that its constitutional argument had any likelihood of prevailing before this court

it becomes imparative to be aware of the chronological history of the various decisions of the federal appellate courts regarding the constitutionality of the consensual reference provision of the Magistrates Act of 1979.

That chronology, together with the chronology of the briefs in this appeal, follows:

August 5, 1983 9th Circuit	Pacemaker Diagnostic Clinic of America v. Instromedix, Inc., 712 F. 2d 1305, Original panel, Judges Ferguson, Boochever and Norris, initially find consensual reference unconstitutional.
November 23, 1983, 3rd Circuit	Wharton-Thomas v. United States of America, et al., 721 F.2d 922, finds consensual reference constitutional as do the majority in all the following Courts of Appeals.
December 20, 1983 3rd Circuit	Rehearing denied in Wharton-Thomas appeal.
February 16, 1984 9th Circuit	Pacemaker Diagnostic Clinic of America v. Instromedix, Inc., 725 F.2d 537. En banc rehearing, Judges Schroeder, Pregerson and Canby dissenting.
February 21, 1984 Petitioner's Brief Filed	Petitioner's Opening Brief before the District Court under Rule 60(b).

February 22, 1984 2nd Circuit	Collins v. Foreman, 729 F.2d 108.
February 29, 1984 1st Circuit	Goldstein v. Kelleher, 728 F.2d 32.
April 3, 1984	Rehearing denied in Goldstein appeal.
April 30, 1984 5th Circuit	Puryear v. Ede's, Ltd., 731 F.2d 1153.
July 11, 1984 8th Circuit	Lehman Bros. Kuhn Loeb Incorporated v. Clark Oil and Refining Corporation, 739 F.2d 1313, Chief Judge Lay and Judges Arnold and Bowman dissent.
August 23, 1984 7th Circuit	Geras v. Lafayette Display Fixtures, Inc., 742 F.2d 1037, Judge Posner dissents.
August 27, 1984 Petitioner's Brief Filed	Petitioner's Opening Brief before the Court of Appeals for the Federal Circuit.
September 11, 1984 D.C. Circuit	Fields v. Washington Metropolitan Area Transit Authority, 743 F.2d 890.

October 1, 1984 First Denial of Certiorari by Supreme Court	Petitions for Certiorari denied in the Pacemaker 105 S.Ct. 100, 83 L.Ed. 2d 45, Goldstein, 105 S.Ct. 172, 83 L.Ed. 2d 107, Collins, 105 S.Ct. 218, L.Ed. 2d 148, appeals.
December 5, 1984 Petitioner's Oral Argument	Oral Argument in Petitioner's Appeal.
January 14, 1985 Second Denial of Certiorari	Petition for Certiorari denied in Lehman Bros. Kuhn Loeb appeal. 105 S.Ct. 906, 83 L.Ed. 2d 921.
January 28, 1985 Federal Circuit	Decision in this appeal D. L. Auld Co. v. Chroma Graphics Corp., 753 F.2d 1029.
February 6, 1985 4th Circuit	Gairola v. Commonweath of Virginia Department of General Services, 753 F.2d 1281.

As of this date the Supreme Court has not heard and decided the issue of the constitutionality of the consensual reference provision of the Magistrate Act of 1979.

REASONS FOR GRANTING THE WRIT

I.A. THE DECISION OF THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT DEPARTS SO FAR FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS IN FINDING AN ABUSE OF THE APPELLATE PROCESS AS CLEARLY TO CALL FOR AN EXERCISE OF THIS COURT'S POWER.

One need look no further than a recent decision of the Court of Appeals for the Federal Circuit itself to ascertain the pertinent "accepted and usual course of judicial proceedings" regarding abuse of the appellate process within the congressionally ordained framework of the federal appellate system.

That Court in Connell v. Sears, Roebuck & Co., 722 F.2d 1542, 1554 (1983) addressed the issue of what constitutes a frivolous appeal and therefore "abuse" in the following terms:

> The definition of what constitutes a frivolous civil appeal is difficult. Courts must guard against an oversensitivity to what may be only an apparent abuse. It is clear that appeals having a small chance of success are not for that reason alone frivolous. One may legitimately argue, for example, that even overwhelming contrary precedent should be overruled or distinguished.

(Emphasis added).

As indicated in the Statement of the Case, the original issue in this appeal was the constitutionality of the consensual reference provision of the Magistrates Act of 1979, 28 U.S.C. §636(c).

The Court of Appeals for the Federal Circuit characterized this appeal as having "no chance of success", criticized petitioner for "persisting" in the appeal for that reason and penalized petitioner for

abusing the appellate process by an award of attorney's fees against petitioner.

Was this indeed an issue and an appeal having "no chance of success" or one in which it might be legitimately argued that "even overwhelming contrary precedent should (could) be overruled or distinguished?"

The Supreme Court has not yet settled the issue of the constitutionality of the consensual provision of the Magistrates Act of 1979 having previously denied petitions for certiorari in four cases.

Four lengthly opinions or dissents have been written fully supportive of petitioner's view of the issue including one by a former professor and now Circuit Judge Posner.

Ten learned jurists have joined in those opinions supportive of petitioner's view.

The Court of Appeals in the instant appeal commented in finding petitioner's appeal unreasonable, frivilous and having no chance of success as follows:

> When Auld (petitioner) filed its opening brief in this court on August 27, 1984, seven circuits already had upheld the constitutionality of the provision Auld (petitioner) challenges. These included the in banc decision of the Ninth Circuit in Pacemaker Diagnostic Clinic, which overruled the panel decision upon which Auld (petitioner) heavily relied. Those opinions were rendered 4 days (Geras), 37 days (Lehman Bros.), almost 4 months (Puryear), approximately 6 months (Goldstein, Collins, and Pacemaker Diagnostic Clinic), and 21 months (Wharton-Thomas before Auld (petitioner) filed its brief. Auld (petitioner) either was or should have been aware of at least six of them.

The Court of Appeals did not note however that when petitioner filed its "opening brief" on August 27, 1984, there were then pending petitions for certiorari before the Supreme Court petitioning this Court to determine the constitutionality of the consensual reference provision of the Magistrates Act of 1979. See chronology supra. Indeed the last denial of a petition for certiorari occurred more than one month after oral argument had taken place before the Court of Appeals for the Federal Circuit in the instant appeal.

Clearly the original "issue" in this case was still at least within the "small chance of success" criteria of the Court of Appeals for the Federal Circuit if not, in fact, wide open. That the criteria quoted above reflects

the "accepted and usual course of judicial proceedings" in federal appellate courts is underscored by the fact that no other court considering the original issue, including the decision in Gairola v. Commonwealth, supra which was decided after this case, saw fit to fix a "no chance of success" label, or to criticize persistence in appealing or to penalize for such persistence as an abuse of the appellate process.

In sum then because all of the U.S. circuit courts who had considered the consensual reference issue had in their majority opinions come down on one side of the issue, albeit with vigorous dissents expressed by eminent jurists, the Court of Appeals for the Federal Circuit has penalized petitioner for daring to try again in a

circuit in which the issue has not been decided and in spite of the fact that the issue has not even yet been settled by the Supreme Court. Such a departure from fairness and from accepted federal appellate practice urgently calls for an exercise of this Court's power to the end that the integrity of a multiple court appellate system having courts of co-equal authority not be impaired by having a penalty enforced cut-off short of the Supreme Court.

I.B. THE "CHILLING EFFECT" OF THE DECISION OF THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT EFFECTIVELY DENIES TO APPELLANTS IN THE FEDERAL CIRCUIT THE SAME ACCESS TO THE APPELLATE COURTS AND THEREFORE TO THE SUPREME COURT AS THAT ENJOYED BY APPELLANTS IN OTHER CIRCUITS.

In its decision the Court of Appeals for the Federal Circuit opined as follows:

> Auld has offered no convincing ground to reject those decisions, and we cannot discern any. Although the Sixth Circuit, in which this case arose, has not decided the question, there is no reason to believe that it would disagree with the eight circuits that have upheld the statute. 753 F.2d at pages 1031 and 1032.
>
> When Auld filed its opening brief it had no reasonable basis for believing that its constitutional argument had any likelihood of prevailing before this Court." Id. at page 1033.

To accept this position would place a "chilling effect" on the right of appellants in <u>any</u> case in the

Federal Circuit to pursue a good faith appeal. It is true that eight other circuits had decided the constitutional issue at the time of the panel's decision. However, neither the Federal Circuit nor the Sixth Circuit (in which Court the appeal was originally filed) had ruled on the issue. Petitioner was only exercising its right to have a circuit court of appeals, which had previously not spoken on the issue, rule on this important constitutional question.

To require appellant, as the Federal Circuit would, to have a "convincing ground" or a "reasonable basis" on which to determine that the Federal Circuit would rule favorably on an issue, upon which it had not ruled upon before, would place an intolerable burden on any appellant. Under the

Federal Circuit's questionable logic, conflicts among the circuits (often resolved by the United States Supreme Court) would certainly be reduced since an appellant would not be likely to attempt to create a conflict, facing the threat of an award of attorneys fees if it did not prevail. In short, the Federal Circuit's position would convert virtually every appeal that did not succeed into a "frivolous" and monetarily risky one as abusive of the appellate process. That such a position would "chill" the motivation to appeal in many cases is self evident.

The decision fails even under its own logic. If other appellants in other courts had no "reasonable basis" to assert that the consensual reference provision of the Magistrates Act was

unconstitutional, then how may we explain the fact that eight out of twelve circuit courts reached and considered the issue. Those courts, cited in the chronology, never branded the appeals as frivolous. Indeed, if persistence in the presentation of the issue is frivolous, it seems unlikely that those courts would spend a total of 84 pages in the Federal Reporter, Second, to discuss and decide the constitutional question. Likewise, a frivolous issue would not likely have produced dissenting opinions (adopting the position advanced by petitioner herein) joined by seven distinguished jurists.

Fortunately, the other circuits have not adopted the Federal Circuit's "chilling" view. However the establishment of such a rule in one

circuit presents a case of uneven judicial treatment among the circuits clearly calling for the exercise by this Court of its supervisory powers to restore equality of access to the federal circuit court system and through it to the Supreme Court.

I.C. THE DECISION OF THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT IS IMPLICITLY IN CONFLICT WITH DECISIONS OF OTHER FEDERAL COURTS OF APPEALS IN RELATION TO MATTERS OF APPELLATE ACCESS.

As indicated in the previous section of this Brief, none of the other circuits have imposed a "no chance of success" or "no reasonable basis" or "no convincing grounds to reject" sister circuit opinions tests calculated to impede on appellant's exercise of the right of appeal to a federal circuit court which has not previously considered the issue. The imposition of such tests puts the decision of the Federal Circuit herein in conflict on the question of appellate access with the decisions of some if not all of the other Federal Courts of Appeal who have rendered decisions on the issue of consensual reference; i.e. at the very least one

circuit, the 4th Circuit whose decision followed that of the Federal Circuit, is in conflict in that coming later it neither imposed the access tests of the Federal Circuit nor found persisting in an appeal of the constitutionality of the consensual reference issue abusive of the appellate process. The decision therefor both leaves in doubt the formula by which an appellant litigant may know when his right to appeal will run an extra risk and also encourages appellate forum shopping to eliminate such risk of appellate penalty.

The conflict between the new "abuse" standards of the Federal Circuit and those of the other co-equal circuits calls for action by the Supreme Court in this case to restore appellate harmony and consistency to the circuits to the end that future

litigants may know with certitude when they have the right to appeal with the risk of being characterized as "frivolous" or abusive.

II.A. THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT, AS WELL AS MULTIPLE OTHER FEDERAL APPELLATE COURTS, HAS DECIDED AN IMPORTANT QUESTION OF FEDERAL LAW, NAMELY, THE CONSTITUTIONALITY OF THE CONSENSUAL REFERENCE PROVISION OF THE MAGISTRATE ACT OF 1979, 28 U.S.C. §636(c), WHICH HAS NOT BEEN BUT SHOULD BE SETTLED BY THIS COURT.

Petitioner is well aware that the majority opinions of the courts of appeals who have addressed the constitutionality of the consensual reference provision of the Magistrate Act of 1979, are, along with the Federal Circuit, in unison in upholding the provision. See Gairola v. Commonwealth of Virginia Department of General Services, 753 F.2d 1281 (4th Cir. 1985); D. I. Auld Co. v. Chroma Graphics Corp., 753 F.2d 1029 (Fed. Cir. 1985); Lehman Bros. Kuhn Loeb, Inc. v. Clark Oil & Refining Corp., 739 F.2d 1313 (8th Cir. 1984); cert.

denied, 105 S.Ct. 906, 83 L.Ed.2d 921, (1985) Pacemaker Diagnostic Clinic, Inc. v. Intromedix, Inc., 725 F.2d 537 (9th Cir.) (en banc), cert. denied, 105 S.Ct. 100, 83 L.Ed.2d 45 (1984); Goldstein v. Kelleher, 728 F.2d 32 (1st Cir.), cert. denied, 105 S.Ct. 172, 83 L.Ed.2d 107 (1984); Collins v. Foreman, 729 F.2d 108 (2d Cir.) cert. denied, 105 S.Ct. 218, 83 L.Ed.2d 148 (1984); Fields v. Washington Metropolitan Area Transit Authority, 743 F.2d 890 (D.C. Cir. 1984); Geras v. Lafayette Display Fixtures, Inc., 742 F.2d 1037 (7th Cir. 1984); Puryear v. Ede's Ltd, 731 F.2d 1153 (5th Cir. 1984); Wharton-Thomas v. United States, 721 F.2d 922 (3d Cir. 1983).

In contrast to the majority opinions of those courts, ten distinguished jurists in the courts of

appeals have argued persuasively that magistrates cannot constitutionally be invested with the power to enter final judgments in federal court litigation. See the original Pacemaker panel decision, supra, and dissenting opinions in Pacemaker Diagnostic Clinic, Inc. v. Instromedix, Inc., supra at page 347, Lehman Bros. Kuhn Loeb Incorporated v. Clark Oil and Refining Corporation, at page 1319 and Judge Posner's opinion in Geras v. Lafayette Display Fixture, Inc., supra at page 1045.

This Court has not yet accepted this important issue for review.

Circuit Judge Arnold, dissenting in Lehman Bros. Kuhn, supra, at 1319, wrote:

> This court now joins the First, Second, Third, and Ninth Circuits in holding that Congress has not

> violated Article III by empowering United States Magistrates, with consent of the parties, to enter judgments with the same force and effect as United States District Judges. In the face of this increasing weight of authority, it requires more than the normal amount of temerity to disagree. Nevertheless, because the issue seems to be so clear and simple, so basic to the whole theory of a written constitution interpreted by independent judges, I respectfully dissent.

Of course the Supreme Court is the ultimate arbiter of the constitutionality of an Act of Congress. In light of the vigorous split in opinion between the distinguished jurists who have written opinions on the issue, petitioner respectfully suggests that it behooves this Court to accept certiorari and make the final determination of the constitutionality of the consensual

reference provision of the Magistrate Act.

II.B. THE DECISIONS FINDING THE CONSENSUAL REFERENCE PROVISION OF THE MAGISTRATES ACT OF 1979 CONSTITUTIONAL ARE IN DIRECT CONFLICT WITH THE RATIONALE OF THE PLURALITY DECISION OF THIS COURT IN NORTHERN PIPELINE CONSTRUCTION CO. V. MARATHON PIPELINE CO. 458 U.S. 50, 102 S.Ct. 2858 73 L.Ed.2d 598 (1982).

The dissenting jurists in Pacemaker, supra recognized that the plurality's analysis in Northern Pipeline Construction Co. v. Marathon Pipeline Co., 458 U.S. 50, 102 S.Ct. 2858, 73 L.Ed.2d 598 (1982) directs the conclusion that Congress cannot vest ultimate Article III powers in United States magistrates.

The Northern Pipeline plurality found that the broad grant of jurisdiction to bankruptcy courts conferred by the Bankruptcy Act of 1978 is unconstitutional. In so holding, the plurality reasoned that the

judicial power of the United States must be exercised by judges who have the attributes of life tenure and protection against salary diminution provided by Article III. 458 U.S. at 57-62. These attributes

> were incorporated into the Constitution to ensure the independence of the Judiciary from the control of the Executive and Legislative Branches of government.[10]

[10] These provisions serve other institutional values as well. The independence from political forces that they guarantee helps to promote public confidence in judicial determinations . . . . The security that they provide to members of the Judicial Branch helps to attract well qualified persons to the federal bench . . . . The guarantee of life tenure insulates the individual judge from improper influences not only by other branches but by colleagues as well, and thus promotes judicial individualism.

> See Kaufman, Chilling Judicial Independence, 88 Yale L.J. 681, 713 (1979) . . . .

Id. at 59.

The plurality considered and rejected the argument that the statute in question was constitutional because the bankruptcy court "is merely an 'adjunct' to the district court, and that the delegation of certain adjudicative functions to the bankruptcy court is . . . consistent with the principal that the judicial power of the United States must be vested in Article III courts." Id. at 76-77.

That the consensual reference provision of the Magistrates Act is an unconstitutional delegation of judicial power to non-Article III adjuncts is forcefully presented by the dissenting opinions in Pacemaker, Lehman Bros.

Kuhn and Geras, supra. Their arguments may be summarized as follows:

> (1) Consent of the litigants to the exercise of jurisdiction by the magistrate does not cure the constitutional defect.
>
> (2) Magistrates are not insulated from interference by the executive and legislative branches, thereby disturbing the constitutional scheme of separation of powers.
>
> (3) Statutory "safeguards" designed to ensure that the magistrate remains under the protective umbrella of the Article III court institutionalizes a system of judicial dependence which is totally inconsistent with an independent judiciary created by Article III.

Litigant Consent

The courts of appeals who have addressed the issue have typically treated the consent of the parties to the magistrate's exercise of jurisdiction as a purely personal right which, like other personal rights, is

subject to waiver. "The litigant waiver in this case is similar to waiver of a defect in jurisdiction over the person, a waiver federal courts permit." Pacemaker, 725 F.2d 543. If due process rights, which are implicated where personal jurisdiction is lacking, were the only issue here, the Pacemaker court's emphasis on litigant consent would be more compelling. The parties are not, however, free to confer utlimate judicial power in non-Article III officers because that power is reserved by the Constitution to Article III judges. The dissenters in Pacemaker state:

> The lesson of the Framers is that those who exercise the judicial power of the United States under Article III must be Article III judges. The Supreme Court decisions of the last half century confirm

> that consensual reference under the Magistrate's Act unconstitutionally authorizes that exercise of Article III powers by non-Article III officers because it authorizes the magistrates in civil cases to make final decisions as to all matters of fact and law in any case within the civil jurisdiction of the district courts. Contrary to the assertions of the majority here and in Wharton-Thomas, the parties' consent does not solve the constitutional problems arising from this wholesale delegation of judicial power to non-Article III judges. Indeed, consent is simply irrelevant to the Supreme Court's analysis of the proper allocation of judicial power under the Constitution; the judicial power of the United States is conferred upon Article III judges by the Constitution, not by the parties.

725 F.2d at 550 (Schroeder, C.J. dissenting). [Footnotes omitted.] See also Lehman Bros. Kuhn, 739 F.2d at 1319 (dissenting opinion).

We note parenthetically that while petitioner did not raise the issue

before the Court of Appeals for the Federal Circuit, we now believe that with his entering judgment in the initial patent litigation, the Magistrate at the very least exhausted any Article III powers acquired by the original consent of petitioner. He was therefore constitutionally prevented from deciding his own Article III authority under petitioner's Rule 60(b) motion without the endorsement by petitioner of a new Consent Form. The "life expectancy" of litigants' consents to investing Article III powers in adjuncts is another matter that should be addressed by this Court.

Separation of Powers

The Northern Pipeline plurality reaffirmed the critical importance of the constitutional mandate that the

federal judiciary be free from interference from the political branches of government. "The Federal Judiciary was . . . designed by the Framers to stand independent of the Executive and Legislature - to maintain the checks and balances of the constitutional structure, and also to guarantee that the process of adjudication itself remained impartial." 458 U.S. at 58. See also United States v. Will, 449 U.S. 200, 217-18 (1980). Article III effectuates the separation of powers doctrine by defining the power and protecting the independence of the Judicial Branch. Article III requires that the "judicial power of the United States must be exercised by courts having the attributes prescribed [in the article]." Northern Pipeline at 59.

The life tenure and secure compensation provisions of Article III "were incorporated into the Constitution to ensure the independence of the Judiciary from the control of the Executive and Legislative Branches of government." Id. [Footnote omitted].

As the dissenting opinion in Geras v. LaFayette Display Fixtures observes, magistrates are not insulated from interference by the Legislative Branch. Their salaries, manner of appointment, and the very existence of their offices are subject to congressional action. 742 F.2d at 1952-53. This aspect of the separation of powers doctrine is not simply a personal right which may be waived by the parties, but was deemed necessary by the Framers to ensure the independence of the judiciary, thus maintaining the

integrity of the separation of powers doctrine.

Statutory Protections

The number of magistrate positions in each district is determined by Article III judges through the Judicial Conference. 28 U.S.C. §633(b). Article III judges select individual magistrates and determine, under statutory standards relating to performance and fitness, whether magistrates are retained in office. 28 U.S.C. §631. In the context of §636(c), judicial control is maintained by empowering the district judge to revoke the reference of a case to a magistrate, sua sponte or on the application of a party. 28 U.S.C. §636(c)(6).

The suggestion that the independence of magistrates is enhanced by their relationship to district judges only underscores the fragile nature of that "independence." The control exercised by district judges over magistrates' terms of office and case references poses a threat to the judicial independence of magistrates from within the judicial branch itself. This threat may be just as serious as incursions by the political branches. See Pacemaker (panel decision), 712 F.2d at 1312-13, citing Comment, Article III Limits on Article I Courts: The Constitutionality of the Bankruptcy Court and the 1979 Magistrate Act, 80 Colum. L. Rev. 560, 591 (1980); Northern Pipeline, 458 U.S. at 59 n. 10.

The nature of judicial interference with the independence of magistrates is well summarized by the Pacemaker dissenters:

> What control by the district court does do is create a severe conflict of interest for the magistrate who is compelled to choose between what the magistrate concludes is right and the result the magistrate thinks will please the district court. Indeed, it is difficult to conceive of greater restraints on the exercise of independent judgment than the provisions in the act that permit a magistrate to be dismissed, or assignment of a case vacated at any time, by the district court under undefined procedures and malleable standards. 28 U.S.C. §636(c)(6) (1976 and Supp. V. 1981). If there is a greater disincentive to independent action, it is fear that a particular decision, though legally correct, might lead Congress to lower the pay of all magistrates. That situation, of course, is also possible under this Act.

725 F.2d at 552.

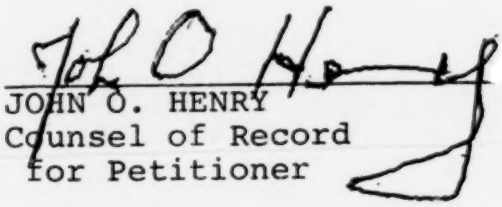
Conclusion

The need to put to rest the conflict so evident in the divided written views of the distinguished jurists who have had to contrast from a constitutional standpoint the delegation of authority to bankruptcy adjuncts on the one hand and magistrate adjuncts on the other is respectfully expressed by former professor and now Judge Posner in his dissent in Geras v. Lafayette Display Fixtures Inc. 742 F.2d 1037 at page 1045:

> "Although impressed by the unbroken phalanx of opposing authority in our sister circuits, and by my brethren's reasoning, I cannot repress my conviction that 28 U.S.C. §636(c), especially in allowing magistrates to preside and enter judgment in diversity cases (provided only that the parties consent to trial by magistrate), violates the Constitution."

For the foregoing reasons, a writ of certiorari should issue to review the judgment of the Court of Appeals for the Federal Circuit.

Respectfully submitted,



JOHN O. HENRY
Counsel of Record
for Petitioner

APPENDIX TO PETITION FOR A
WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TENNESSEE

Sept. 14, 1982

THE D. L. AULD COMPANY,	:	
Plaintiff,	:	
v.	:	No. CIV-3-81-532
CHROMA GRAPHICS CORPORATION,	:	
Defendant.	:	

CONSENT TO PROCEED BEFORE A UNITED STATES MAGISTRATE

In accordance with the provisions of Title 28, U.S.C. §636(c), the parties in this case hereby voluntarily waive their rights to proceed before a judge of the United States District Court and consent to have a United States Magistrate conduct any and all further proceedings in the case,

including trial, and order the entry of a final judgment.

Signature:	Attorney For:
Thomas Scott	The D. L. Auld Company, Plaintiff
E. M. Luedeka	Chroma Graphics Corp., Defendant

_____
Date

ELECTION OF APPEAL TO DISTRICT JUDGE

(Do not execute this portion of the Consent Form if the parties desire that the appeal life directly to the court of appeals.)

In accordance with the provisions of Title 28, U.S.C. §636(c)(4), the parties elect to take any appeal in this case to a district judge.

_____ _____

_____ _____

ORDER OF REFERENCE

IT IS HEREBY ORDERED that this case be referred to United States Magistrate _____ for all further proceedings and entry of judgment in accordance with Title 28, U.S.C. §636(c) and the foregoing consent of the parties.

Robert L. Taylor
United States
District Judge

Note: Return this form to the Clerk of the Court only if all parties have consented to proceed before a magistrate.

including trial, and order the entry of a final judgment.

Signature:	Attorney For:
Thomas Scott	The D. L. Auld Company, Plaintiff
E. M. Luedeka	Chroma Graphics Corp., Defendant

_____
Date

ELECTION OF APPEAL TO DISTRICT JUDGE

(Do not execute this portion of the Consent Form if the parties desire that the appeal life directly to the court of appeals.)

In accordance with the provisions of Title 28, U.S.C. §636(c)(4), the parties elect to take any appeal in this case to a district judge.

_____ _____

_____ _____

ORDER OF REFERENCE

IT IS HEREBY ORDERED that this case be referred to United States Magistrate _____ for all further proceedings and entry of judgment in accordance with Title 28, U.S.C. §636(c) and the foregoing consent of the parties.

Robert L. Taylor
United States
District Judge

Note: Return this form to the Clerk of the Court only if all parties have consented to proceed before a magistrate.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
NORTHERN DIVISION

THE D. L. AULD COMPANY,	)	
Plaintiff,	)	
v.	)	No. CIV-3-81-532
CHROMA GRAPHICS CORPORATION,	)	
Defendant.	)	

O R D E R

For the reasons stated in a Memorandum this day passed to the Clerk, it is ORDERED that the defendant's motion for summary judgment be GRANTED and that this action hereby is DISMISSED.

ENTER: Oct. 22, 1982
Robert P. Murrian
UNITED STATES
MAGISTRATE

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
NORTHERN DIVISION

THE D. L. AULD COMPANY,	)	
Plaintiff,	)	
v.	)	No. CIV-3-81-532
CHROMA GRAPHICS CORPORATION,	)	
Defendant.	)	

O R D E R

For the reasons stated in a Memorandum this day passed to the Clerk, it is ORDERED that the plaintiff's motion to vacate or to alter or amend judgment be DENIED.

ENTER: Nov. 15 1982
Robert P. Murrian
UNITED STATES
MAGISTRATE

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
NORTHERN DIVISION

THE D. L. AULD COMPANY	)	CIV-3-81-532
Plaintiff,	)	
	)	MOTION FOR
vs.	)	RELIEF FROM
	)	JUDGMENT
CHROMA GRAPHICS CORP.,	)	
	)	ORAL ARGUMENT
Defendant.	)	REQUESTED

MOTION FOR RELIEF FROM JUDGMENT

Pursuant to Fed. R. Civ. P. 60(b), plaintiff in the above-captioned case requests this Court to relieve it from an Order entered by the Magistrate on October 22, 1982 granting summary judgment in favor of defendant. The judgment was affirmed on direct appeal to the United States Court of Appeals for the Federal Circuit in D. L. Auld Co. v. Chroma Graphics Co., 714 F.2d 1144 (1983).

Movant requests such relief because the procedure by which the

Magistrate entered a dispositive order, without de novo consideration by the district judge, pursuant to the provisions of 28 U.S.C. §636 (c)(1) and (c)(3) is an unconstitutional exercise of jurisdiction contrary to Article III of the United States Constitution. Furthermore, the Magistrate's failure to observe Local Rule 12 and permit oral argument on defendant's Motion for Summary Judgment deprived movant of its right to be heard and raises a serious question whether due process was ignored.

WHEREFORE, plaintiff moves the Court to set aside the summary judgment granted herein on October 22, 1982 and set this matter for trial on its merits.

Respectfully submitted,

John O. Henry
PORTER, WRIGHT, MORRIS & ARTHUR
Attorney for D. L. Auld Company

and

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Cincinnati, Ohio 45202
(513) 381-4700

and

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Suite 2300, Plaza Tower
Knoxville, Tennessee 37929
(615) 546-7000

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
NORTHERN DIVISION

THE D. L. AULD COMPANY	)	
	)	
Plaintiff,	)	
	)	
vs.	)	CIV. 3-81-532
	)	
CHROMA GRAPHICS CORP.,	)	
	)	
Defendant.	)	

MEMORANDUM AND ORDERS

The plaintif , The D. L. Auld Company, moves for relief from judgment on the grounds that 28 U.S.C. §636(c) is unconstitutional and because it was not given an oral hearing before the undersigned granted summary judgment against it on October 22, 1982.

The motion lacks merit. The plaintiff's motion for an oral hearing will not be granted. The instant motion is not determinative of the case on the merits and so the plaintiff is not entitled to an oral hearing as a

matter of right. Local Rule 12(c). The undersigned will exercise his discretion and deny an oral hearing.

Section 636(c) of Title 28 is not unconstitutional. Wharton-Thomas v. United States, ____ F.2d ___, No. 82-5555 (3rd Cir., filed November 23, 1983, as amended December 1, 1983). The case relied upon by the plaintiff is not even controlling precedent in the Ninth Circuit at present. See Pacemaker Diagnostic Clinic, Inc. v. Instromedix, Inc., 712 F.2d 1305 (1983), reh. en banc granted October 20, 1983, decision pending. Wharton-Thomas is a correct statement of the law in the undersigned's opinion. Furthermore, the panel decision in Pacemaker did not even operate retroactively. I have been advised informally that the panel

decision in Pacemaker has been reversed by the Court sitting en banc within the last day or so.

The United States Court of Appeals for the Federal Circuit has already considered the question of denial of an oral hearing before summary judgment was granted. It was resolved against the plaintiff. The Court of Appeals determined that there was no denial of due process, slip op. at 19, and that is the law of the case. I am surprised that counsel would attempt to raise it again.

It is therefore ORDERED that the plaintiff's motion for an oral hearing be DENIED and that its motion for relief from judgment be DENIED.

ENTER:
Robert P. Murrian
UNITED STATES MAGISTRATE

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
NORTHERN DIVISION

THE D. L. AULD COMPANY	)	
	)	
Plaintiff,	)	
	)	
vs.	)	CIV. 3-81-532
	)	
CHROMA GRAPHICS CORP.,	)	
	)	
Defendant.		

NOTICE OF APPEAL

Notice is hereby given that The D. L. Auld Company, plaintiff above named, hereby appeals to the United States Court of Appeals for the Sixth Circuit from the orders of the Magistrate denying plaintiff's Motion for Relief from Judgment entered in this action on the 23rd day of February, 1984.

The Orders from which Relief is sought were entered by the Magistrate pursuant to the provisions of 28 U.S.C. Section 636 (c) (1) from which a direct appeal lies in the U. S. Court of

Appeals for the Sixth Circuit by virtue of the provisions of 28 U.S.C. Section 636 (c) (3).

The jurisdiction of the Magistrate to consider and deny plaintiff's Motion for Relief from Judgment, and the jurisdiction of the Court of Appeals for the Sixth Circuit is based solely on 28 U.S.C. Section 1331. The sole issue presented by plaintiff's Motion for Relief from Judgment relates to the constitutionality of federal statutes and the application of laws of the United States.

This the 8th day of March, 1984.

Respectfully submitted,

John O. Henry
PORTER, WRIGHT, MORRIS & ARTHUR
Attorney for D. L. Auld Company

and

Michael R. Schmidt
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Of Counsel
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and

Thomas S. Scott, Jr.
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Knoxville, Tennessee 37929
(615) 546-7000

No. 84-5221

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

THE D.L. AULD COMPANY, Plaintiff-Appellant	)	
v.	)	
CHROMA GRAPHICS CORP., Defendant-Appellee	)	O R D E R

BEFORE: KEITH, MERRITT and MARTIN, Circuit Judges

This matter is before the Court upon consideration of plaintiff-appellant's petition for this Court to exercise supervisory authority over the district court, defendant-appellee's response, and the plaintiff-appellant's reply that states its petition is moot because of the subsequent appeal. Also before the Court is defendant's motion to dismiss the appeal for lack of

jurisdiction, plaintiff's response and defendant's reply.

It appears that plaintiff instituted this civil action in the United States District Court for the Eastern District of Tennessee, alleging patent infringement and that court's jurisdiction to be based upon 28 U.S.C. §1338. Judgment was entered for defendant by the Magistrate. An appeal by plaintiff was taken to the United States Court of Appeal for the Federal Circuit resulting in an affirmance. D. L. Auld Co. v. Chroma Graphics Corp., 714 F.2d 1144 (Fed. Cir. 1983).

Plaintiff in February 1984 filed a motion for relief from judgment pursuant to Rule 60(b), Federal Rules of Civil Procedure. Plaintiff contended that the Magistrate's October 22, 1982 order without de novo

consideration by the District Judge was an unconstitutional exercise of jurisdiction contrary to Article III of the U.S. Constitution. On February 23, Magistrate Murrian entered an order denying the Rule 60(b) motion. Plaintiff filed a notice of appeal to this Court. However, a Rule 60(b) motion is a continuation of the original action. Bankers Mortgage Company v. United States, 423 F.2d 73, 78 (5th Cir.), cert. denied, 399 U.S. 927 (1970). The original action is patent infringement for which the United States Court of Appeals for the Federal Circuit pursuant to 28 U.S.C. §1295 had jurisdiction. The instant appeal is a continuation of the original action and the Federal Circuit has exclusive appellate jurisdiction over the instant appeal. 28 U.S.C.

§1295. Plaintiff's appeal was timely. It appears that the interest of justice would best be served if this appeal, and all documents filed herein, was transferred to the United States Court of Appeals for the Federal Circuit pursuant to 28 U.S.C. §1631.

It is ORDERED that the appeal pursuant to 28 U.S.C. §1631 be transferred to the United States Court of Appeals for the Federal Circuit.

ENTERED BY ORDER OF THE COURT

Clerk

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

THE D. L. AULD COMPANY,	)	
Plaintiff-Appellee,	)	
v.	)	No. 84-1381
CHROMA GRAPHICS CORPORATION,	)	
Defendant-Appellant	)	

MOTION OF THE UNITED STATES TO INTERVENE

For the reasons set forth below, the United States of America hereby moves this Court to allow it to intervene as a party in this appeal for the purpose of defending the constitutionality of Section 2 of the Federal Magistrates Act of 1979 (the "Magistrates Act"), codified at 28 U.S.C. §636(c).

The United States considers this constitutional issue, which was raised by appellant in its brief, to be of

critical importance. An adverse decision in this case would cripple use of consensual references for dispositive adjudication of civil cases by magistrates in this circuit. This procedure has been utilized more and more by district courts as a means to relieve congested district court workloads.

Thus, the interest of the United States in the issue raised by appellant is plain. Accordingly, this Court should permit the United States to intervene as a party under 28 U.S.C. § 2403. The United States would be prepared to file its brief on the constitutional issue within 14 days of being granted intervenor status.

For the foregoing reasons, this Court should enter an order granting the United States the right to

intervene as a party in this appeal for the purpose of defending the constitutionality of the consensual reference provisions in the Federal Magistrates Act.

Respectfully submitted,

WILLIAM KANTER

HAROLD J. KRENT
(202) 633-3159
Attorneys, Appellate
Staff Civil Division,
Room 3348 U.S. Dept.
of Justice
Washington, D.C. 20530

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT
717 MADISON PLACE, N.W.
WASHINGTON. D.C. 20439

October 10, 1984

Mr. Harold J. Krent
Appellate Staff
Civil Division
U.S. Department of Justice
Washington, D.C. 20530

RE: The D. L. Auld Company v.
Chroma Graphics Corp.
Appeal No. 84-1381

Dear Mr. Krent:

The motion of the United States to intervene in this appeal for the purpose of defending the constitutionality of Section 2 of the Federal Magistrates Act of 1979 has been granted.

Accordingly, the brief on behalf of the United States on this issue will be due 14 days from this date or October 24, 1984.

Very truly yours,

cc: John O. Henry, Esq.
Andrew S. Neely, Esq.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

THE D. L. AULD COMPANY,	* Appeal No.84-1381
Appellant,	*
v.	*
CHROMA GRAPHICS CORP.,	*
Appellee,	*
and	*
THE UNITED STATES,	*
Intervenor.	*

DECIDED: January 28, 1985

Before FRIEDMAN, BALDWIN, and BISSELL, Circuit Judges.

FRIEDMAN, Circuit Judge

This is an appeal from an order of the United States District Court for the Eastern District of Tennessee, entered by a United States magistrate, denying the appellant's motion under Rule 60(b) of the Federal Rules of

Civil Procedure for relief from a judgment granting summary judgment in favor of the appellee. The Rule 60(b) motion contended that the provisions of the Federal Magistrates Act of 1979 authorizing a magistrate, when designated to do so by the district court he serves and with the consent of the parties, to conduct all proceedings in any civil case, 28 U.S.C.§ 636(c) (1982), are unconstitutional. It also argued that the judgment was defective because no oral argument had been held before the magistrate granted summary judgment. The magistrate rejected both contentions. We affirm and also award the appellee the attorney's fees it incurred in handling this appeal.

I

In October 1981, the appellant D. L. Auld Company (Auld) instituted this

patent infringement suit against the appellee Chroma Graphics Corp. (Chroma). In September 1982, both parties in writing "waive[d] their rights to proceed before a judge of the United States District Court and consent[ed] to have a United States Magistrate conduct any and all further proceedings in the case, including trial, and order the entry of a final judgment." The following month the magistrate granted summary judgment for Chroma, holding that the patent was invalid under 35 U.S.C. §102(b) because the patented invention had been on sale in the United States more than one year before the patent application was filed.

In August 1983, this court affirmed the magistrate's grant of

summary judgment. D. L. Auld v. Chroma Graphics Corp. 714 F. 2d 1144, 219 USPQ 13. In a lengthy opinion the court fully considered and rejected all of Auld's contentions, including its argument that the failure of the magistrate to comply with a local court rule requiring an oral hearing on motions determinative of the merits of a case required reversal of the judgment.

Six months later, in February 1984, Auld filed in the district court a motion for relief from judgment pursuant to Rule 60(b). It argued that

> the procedure by which the Magistrate entered a dispositive order, without de novo consideration by the district judge, pursuant to the provisions of 28 U.S.C. §636(c)(1) and (c)(3) is an unconstitutional exercise of jurisdiction contrary to Article III of the United States Constitution. Furthermore, the Magistrate's failure to observe

> Local Rule 12 and permit oral argument on defendant's Motion for Summary Judgment deprived movant of its right to be heard and raises a serious question whether due process was ignored.

Because the constitutionality of a federal statute was drawn in question, the United States intervened pursuant to 28 U.S.C.§2403 (1982), and has participated in this appeal.

In a short memorandum the magistrate rejected both of these contentions and denied relief from the judgment. Auld appealed to the Court of Appeals for the Sixth Circuit. That court transferred the case to this court on the ground that "a Rule 60(b) motion is a continuation of the original action" and that this court "has exclusive appellate jurisdiction over the instant appeal." The parties

do not challenge that ruling, and we agree that we have jurisdiction.

II

Eight circuit courts of appeals, including two in banc, have now upheld the constitutionality of the consensual reference procedures of the Federal Magistrates Act of 1979, and the Supreme Court three times has declined to review those rulings. Fields v. WMATA, No. 83-1186 (D.C. Cir. Sept. 11, 1984); Goldstein v. Kelleher, 728 F.2d 32 (1st Cir. 1984), cert. denied, 53 U.S.L.W. 3239 (U.S. Oct. 1, 1984)(No. 84-5); Collins v. Foreman, 729 F.2d 108 (2d Cir. 1984), cert. denied, 53 U.S.L.W. 3240 (U.S. Oct. 1, 1984) (No. 83-1616); Puryear v. Ede's Ltd., 731 F.2d 1153 (5th Cir. 1984); Geras v. Lafayette Display Fixtures, Inc., 742 F.2d 1037 (7th Cir. 1984); Lehman

Brothers Kuhn Loeb, Inc. v. Clark Oil & Refining Corp., 739 F.2d 1313 (8th Cir. 1984) (in banc), petition for cert. filed,, 53 U.S.L.W. 3291 (U.S. Sept. 29, 1984) (No. 84-519); Pacemaker Diagnostic Clinic, Inc. v. Instromedix, Inc., 725 F.2d 537 (9th Cir. 1984) (in banc), rev'g 712 F.2d 1305, 220 USPQ 502 (9th Cir. 1983), cert. denied, 53 U.S.L.W. 3236 (U.S. Oct. 1, 1984) (No. 83-1783) (patent infringement suit); and Wharton-Thomas v. United States, 721 F.2d 922 (3d Cir. 1983).

Auld has offered no convincing ground to reject those decisions, and we cannot discern any. Although the Sixth Circuit, in which this case arose, has not decided the question, there is no reason to believe that it would disagree with the eight circuits that have upheld the statute.

In view of the extensive and convincing analysis of the constitutional question in those opinions, it is unnecessary to discuss the issues at any length. Auld relies largely upon the panel decision of the Ninth Circuit in Pacemaker Diagnostic Clinic which, as Auld recognizes, that court reversed in its in banc decision. It is hardly necessary to point out that an overruled decision neither states the law nor is an appropriate source for determining it.

Under the Magistrates Act the district court appoints the magistrates, authorizes them to conduct civil proceedings, and authorizes each particular reference which, as noted, may be made only with the consent of the parties. The district court may revoke a reference, and only it may

punish contempts committed before a magistrate. The magistrate's decision may be appealed to the court of appeals or, by advance agreement of the parties, to the district court. 28 U.S.C. § 636(c).

The arguments sustaining the constitutionality of these provisions are well summarized in the following statement in Goldstein v. Kelleher, 728 F.2d at 36, with which we agree:

> [T]he Article III interests of both the litigants and the judiciary are adequately protected under section 636(c)(3). . . The litigants' interests are safeguarded by the consensual nature of the reference; the institutional interests of the judiciary are secured by the district court's control over both the references and appointments, and by the availability of appeal to an Article III court.

III

A. Auld argues that the failure of the magistrate to grant its request

for an oral hearing before he entered summary judgment required grant of its Rule 60(b) motion because such failure invalidated the summary judgment. That question was fully litigated and considered in the prior appeal in this case. Our opinion there discussed the point at some length and fully explained why the failure provided no basis for reversal of the summary judgment. 714 F.2d at 1151-52, 219 USPQ at 19.

That prior decision was the law of the case. Gindes v. United States, 740 F.2d 947 (Fed. Cir.), cert. denied, No. 84-737 (Dec. 3, 1984). Auld does not ever refer to that principle and makes no attempt to bring this case within the only possible exception to it, namely, that "the prior decision 'was clearly erroneous and would work a

manifest injustice.'" Gindes, 740 F.2d at 950.

B. Auld also argues that in consenting to the reference to the magistrate it agreed to a reference only for trial but not for disposition by summary judgment. Since Auld did not raise this point in its Rule 60(b) motion, the issue is not properly before us. Moreover, Auld offers no reason why it did not make the argument in its prior appeal.

Finally, the contention is frivolous. Auld consented to have the magistrate "conduct any and all further proceedings in this case, including trial, and order the entry of a final judgment." The specific reference to "trial" was designed to show the breadth of the magistrate's authority, not to limit his power. The summary

judgment the magistrate entered was part of the "further proceedings in this case" he was empowered to conduct and was "a final judgment" he was authorized to enter.

IV

Section 285 of Title 35, U.S.C. (1982) provides: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." This provision authorizes us to award to the prevailing party before this court its attorney's fees incurred in its successful handling of an appeal. See Shelcore, Inc. v. Durham Industries, Inc., 745 F.2d 621, 629-30, 223 USPQ 584, 591 (Fed. Cir. 1984); Rohm & Haas Co. v. Crystal Chemical Co., 736 F.2d 688, 222 USPQ 97, 100 (Fed. Cir.), cert. denied, 53 U.S.L.W. 3239 (U.S. Oct. 1, 1984)(No.84-1).

This is an exceptional case in which an award of attorney fees to the appellee is warranted.

When Auld filed its opening brief in this court on August 27, 1984, seven circuits already had upheld the constitutionality of the provision Auld challenges. These included the in banc decision of the Ninth Circuit in Pacemaker Diagnostic Clinic, which overruled the panel decision upon which Auld heavily relied. Those opinion were rendered 4 days (Ceras), 37 days (Lehman Bros.), almost 4 months (Puryear), approximately 6 months (Goldstein, Collins, and Pacemaker Diagnostic Clinic), and 21 months (Wharton-Thomas) before Auld filed its brief. Auld either was or should have been aware of at least six of them.

Auld contended that Northern Pipeline Construction Co. v. Marathon Pipe Line Co., 458 U.S. 50 (1982), which held unconstitutional provisions of the Bankruptcy Act of 1978 that authorized bankruptcy judges to perform certain functions of Article III judges, invalidated § 636(c) of the Magistrates Act. The courts of appeals that upheld the constitutionality of § 636(c) also had considered but rejected the argument based upon Northern Pipeline.

In short, when Auld filed its opening brief it had no reasonable basis for believing that its constitutional argument had any likelihood of prevailing before this court.

Auld's contention based upon the magistrate's failure to hold an oral

hearing before granting summary judgment had been rejected in the prior appeal. Auld showed no awareness that that decision was the law of the case and made no attempt to show that this case was within one of the narrow exceptions to that doctrine.

Finally, Auld's argument that it did not consent to a reference to the magistrate to decide the case on summary judgment was not even presented in Auld's Rule 60(b) motion and, in any event, was frivolous.

In sum, Auld's pursuance of this appeal was, as was the appeal in Colt Industries Operating Corporation v. Index-Werke K.G., 739 F.2d 622, 623 (Fed Cir. 1984), "abusive of the judicial process."

In the prior appeal, Auld fully litigated but lost the argument that

summary judgment holding its patent invalid was improper. Instead of accepting that decision or seeking further review in the Supreme Court, Auld attempted to escape that decision by seeking to reopen the judgment of the district court on what turned out to be insubstantial grounds. When that effort failed, Auld persisted in pursuing an appeal that had no chance of success. In the circumstances the appellee is entitled to recover from Auld the attorney's fees it incurred in its successful defense against the appeal.

CONCLUSION

The order of the district court entered by the United States magistrate denying Auld's Rule 60(b) motion is affirmed. Auld shall reimburse the appellee Chroma for the attorney's fees

the latter incurred in handling this appeal.

AFFIRMED

APPELLANT'S PETITION FOR REHEARING
AND SUGGESTION FOR REHEARING IN BANC

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Appeal No. 84-1381

THE D. L. AULD COMPANY,

APPELLANT

v.

CHROMA GRAPHICS CORP.,

APPELLEE

Appeal from the United States District Court for the Eastern District of Tennessee
Judge Robert L. Taylor

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SUGGESTION FOR REHEARING OF THE PANEL'S DECISION AND FOR HEARING IN BANC

Pursuant to Rule 19(b) of this Court, Appellant's counsel states as follows:

I express a belief, based on a reasoned and studied professional judgment, that this appeal involves one or more precedent setting questions of exceptional importance:

1. Whether an appellate court can sua sponte order that a non-prevailing appellant pay attorneys fees simply because

other courts of appeals have not adopted the position advanced by the appellant?

2. Whether an appellate court can label serious constitutional and jurisdictional arguments as frivolous and refuse to address them?

JOHN O. HENRY
Attorney of Record
for Appellants

MEMORANDUM

I. THE PANEL'S DECISION IMPOSES A CHILLING EFFECT ON APPEALS BY AWARDING ATTORNEYS FEES FOR A "FRIVOLOUS" APPEAL WHERE THE APPELLATE COURT HAS NOT PREVIOUSLY CONSIDERED THE QUESTION PRESENTED.

On January 28, 1985, this court affirmed the denial of the appellant's motion under Fed. R. Civ. P. 60(b) in the trial court. In the course of that opinion, this Court held that the arguments raised by appellant were

"frivolous" and ordered that, pursuant to 35 U.S.C. §325, appellants reimburse appellees for their attorney's fees incurred in this appeal. This award of fees was not requested by appellees (who also did not label the appeal as "frivolous" in their brief), and was ordered by this Court on a sua sponte basis.

Appellants respectfully submit that the panel of this Court rendering the decision erred in determining that the appeal was frivolous. The principal source of the panel's ire appears to be the argument of appellants that provisions of the Magistrate's Act, 28 U.S.C. §636, were unconstitutional under Article III of the United States Constitution. The panel observed that eight (8) circuit courts of appeal had (as of the time of

the panel decision) held the consensual reference procedures of the Act to be constitutional, slip op. at 3-4, 7. In addition, the panel stated:

> Auld has offered no convincing ground to reject those decisions, and we cannot discern any. Although the Sixth Circuit, in which this case arose, has not decided the question, there is no reason to believe that it would disagree with the eight circuits that have upheld the statute.

Id. at 4.

After declining to discuss the constitutional "issues at any length", id., the panel held that the pursuit of this issue by appellant was frivolous, since

> when Auld filed its opening brief it had no reasonable basis for believing that its constitutional argument had any likelihood of prevailing before this Court.

Id. at 8.

To accept this position would place a "chilling effect" on the right of appellants in any case in this Circuit to pursue a good faith appeal. It is true that eight other circuits had decided the constitutional issue at the time of the panel's decision. However, neither this Circuit nor the Sixth Circuit (in which Court the appeal was originally filed) had ruled on the issue. Appellant was only exercising its right to have a circuit court of appeals, which had previously not spoken on the issue, to rule on this important constitutional question.

To require appellant, as the panel would, to have a "convincing ground" or a "reasonable basis" (slip op. at 4, 8) on which to determine that this Court would rule favorably on an issue, upon which it had not ruled upon before,

would place an intolerable burden on any appellant. It would require appellants to appeal, under penalty of an award of attorneys fees, to this Court with the risk of having this Court decide an issue adversely, consistent with the rulings of some or all of the other appellate courts. Under the panel's questionable logic, conflicts among the circuits (often resolved by the United States Supreme Court) would disappear since an appellant would not be likely to attempt to create a conflict, facing the threat of an award of attorneys fees if it did not prevail. In short, the panel's position would convert virtually every appeal that did not succeed into a frivolous one.

The panel's decision fails even under it's own logic. If other

appellants in other courts had no "reasonable basis" to assert that the Magistrate's Act was unconstitutional, then how may we explain the fact that eight out of twelve circuit courts reached and considered the issue. Those courts, cited on p. 4 of the panel's decision, never branded the appeals as frivolous. Indeed, if presentation of the issue is frivolous, it seems unlikely that those courts would spend a total of 84 pages in the Federal Reporter, Second, to discuss and decide the constitutional question. Likewise, a frivolous issue would not likely have produced dissenting opinions (adopting the position advanced by appellant herein) by at least seven distinguished jurists in those case.

The panel in this case did not make clear the standard under which it was imposing an award of attorneys fees to appellee for this "frivolous" appeal. The panel cited on p. 8 of it's opinion the decision in Colt Industries Operating Corp. v. Index-Werke K.G., 739 F.2d 622, 623 (Fed Cir. 1984) to support it's conclusion that the instant appeal was an "abuse of the judicial process." However, Colt Industries involved an accounting brought in the incorrect court, id., and is far removed from the facts of the instant matter.

Most courts hold that a "frivolous" appeal "means something more. . . than an unsuccessful appeal," and that bad faith by the appellant is usually involved. See Ruderer v. Fines, 614 F.2d 1128, 1132 (7th Cir.

1980) (per curiam) (applying Fed. R. App. p. 38). Certainly, neither the panel nor appellee has accused appellant of bad faith, and, as argued above, this matter, at this stage, is nothing more "than an unsuccessful appeal."

For these reasons, appellant respectfully submits that it's appeal of this matter was not "frivolous" under any standard, and that an award of attorney's fees to appellee is not appropriate.

II. THE PANEL ERRED BY HOLDING CERTAIN ISSUES TO BE FRIVOLOUS AND BY NOT CONSIDERING THE CONSTITUTIONAL ARGUMENTS PRESENTED.

Aside from discussing the constitutionality of the consensual reference provisions of the Magistrate's Act, the panel in this case also labeled as "trivolous"

several of the issues raised by appellant.

With regard to the issue of the actual reference to the magistrate in this case, the panel observed that the issue had not been raised in the court below, and that the issue was, in any way event, frivolous. Slip op. at 6. It is not clear from the panel's decision whether the panel actually reached the merits of this position. In any event, appellant respectfully submits that it is not frivolous. At the time the reference was made in 1982, case law had not been reported to make known or clear that appellant <u>was "waiving" a constitutional right</u> (the basis of the decisions from the other circuits upholding the Magistrate's Act). Such a jurisdictional or quasi-jurisdictional issue is one that

can be raised at any point in a federal court proceeding. E.g., Fed. R. Civ. p. 12(h)(1). Moreover, the panel wholly failed to address the substance of appellant's argument, which is that the waiver of constitutional right (in this case, the right to a trial or hearing before a judge appointed under Article III) should be subject to a higher standard of scrutiny than that typically governing the waiver of non-constitutional rights by parties.

Similarly, the standard of scrutiny applied by this Court in the previous appeal to the issue of the failure of the Magistrate to grant oral argument before deciding a Motion for Summary Judgment adversely to this Appellant was clearly not a constitutional standard of scrutiny. Case law discovering and highlighting

the constitutional borders surrounding the use of magistrates developed later as indicated above. Can it be said from the panel's opinion that the panel truly considered either the failure to grant oral argument before granting Summary Judgement or the scope of the requirement of "informed consent" in the new light of a higher standard of scrutiny? We think not. Certainly, however, it can be said that to request such a review in light of the new constitutional borders cannot be deemed frivolous.

Finally, it is not even clear that the panel in this case addressed the important jurisdictional issues presented, particularly those involving the Magistrate's act. See Slip op. at 4-5. The allegedly "frivolous" nature of the appeal, discovered sua sponte by

the panel, appears to have colored the panel's consideration of all issues.

For these reasons, Appellant respectfully submits that fuller consideration of the "waiver" and "oral argument" issues are clearly appropriate in this case.

III. THE APPEAL WAS NOT MOOT.

At oral argument, the panel questioned whether a ruling in favor of appellant might nonetheless be moot, assuming reissue letters Patents were granted. Appellant's counsel, at the time, was unable to provide a definitive answer. The panel may have considered this alleged mootness in determining, sua sponte, that the appeal was frivolous.

Such an assumption would have been incorrect. Even if and when reissue Letters Patents are granted to

appellant, the case will not be moot because the issues presented relate to damages that are recoverable by appellant in this action. As pointed out in Seattle Box Co., Inc. v. Industrial Crating & Parking, Inc., 731 F.2d 818 (Fed. Cir. 1984), a reissue patent has a "continuity" with the original patent if the claims in the reissue are identical with the original patent. Had the panel ruled in appellant's favor, appellant would have retained rights under 35 U.S.C. §252 to litigate "any cause of action then existing" with respect to the "identical" claim.

Accordingly, this was not an instance of an appellant "frivolously" pursuing a "moot" appeal.

IV. CONCLUSION.

Merely losing an appeal should not subject an appellant to the threat of paying attorneys fees to the appellee. The positions advanced by appellant herein, even if not accepted by the court, were not frivolous. This is particularly true given that this Circuit, until this case, had not passed on the constitutional issues presented in this appeal. For these and the other reasons stated above, appellant respectfully submits that a rehearing by the panel, or a hearing in banc, on the issues outlined above is appropriate.

Respectfully submitted,

JOHN O. HENRY
Counsel for Appellant

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

THE D. L. AULD COMPANY,	)	
Appellant,	)	
v.	)	No. 84-1381
CHROMA GRAPHICS CORPORATION,	)	
Appellee.	)	

O R D E R

A suggestion for rehearing in banc having been filed in this case,

UPON CONSIDERATION THEREOF, it is Ordered by the court that the suggestion for rehearing in banc be, and the same is hereby, Declined.

FOR THE COURT
George E. Hutchinson, Clerk

By Chief Deputy Clerk

Date: March 18, 1984

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

No. 84-1381
No. 81-532

THE D. L. AULD COMPANY,

Appellant,

v.

CHROMA GRAPHICS CORP.,

Appellee.

and

THE UNITED STATES,

Intervenor.

JUDGMENT

ON APPEAL from the U.S. District Court of Tennessee, Eastern District.

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED: Affirmed. Auld shall reimburse the appellee

Chroma for Attorney's fees the latter incurred in handling this appeal.

ENTERED BY ORDER OF THE COURT
George E. Hutchinson, Clerk

DATED: January 28, 1985
Petition for Rehearing, Denied
March 18, 1985,
Suggestion for Rehearing
In Banc, Declined,
March 18, 1985

ISSUED AS A MANDATE: April 19, 1985

Attorney Fees and Expenses: Against, Appellant, The D. L. Auld Company in the amount of $7,592.24.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

THE D. L. AULD COMPANY, Appellant,	)	
v.	)	No. 84-1381
CHROMA GRAPHICS CORPORATION, Appellee,	)	
and	)	
THE UNITED STATES, Intervenor.	)	

O R D E R

An Application for Attorneys Fees and Expenses having been filed by the appellee, Chroma Graphics Corporation,

UPON CONSIDERATION THEREOF, it is ordered by the Court that the Appellant, The D. L. Auld Company, shall pay to the appellee, Chroma Graphics, Corporation, the sum of Seven-Thousand Five-Hundred Ninety-Two

Dollars and Twenty-Four Cents,

($7,592.24) for attorney fees and

expenses incurred during this appeal.

FOR THE COURT
George E. Hutchinson, Clerk

April 19, 1985